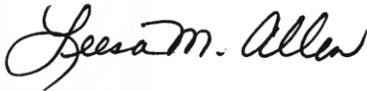




<b>ISSUE DATE</b> June 27, 2016	<b>EFFECTIVE DATE</b> July 1, 2016	<b>NUMBER</b> 01-16-19, 14-16-17, 27-16-17, 31-16-20
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<b>SUBJECT</b> Observation Services	<b>BY</b>  Leesa M. Allen, Deputy Secretary Office of Medical Assistance Programs
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**IMPORTANT REMINDER:** All providers must revalidate their MA enrollment every 5 years. Providers should log into PROMISE to check their revalidation date and submit a revalidation application at least 60 days prior. Enrollment (revalidation) applications may be found at [http://www.dhs.pa.gov/provider/promise/enrollmentinformation/S\\_001994](http://www.dhs.pa.gov/provider/promise/enrollmentinformation/S_001994). Providers who enrolled on or before SEPTEMBER 25, 2011 must complete the revalidation process as soon as possible. DHS must complete the revalidation for all providers enrolled on or before September 25, 2011 by September 25, 2016.

**PURPOSE:**

The purpose of this Medical Assistance (MA) Bulletin is to notify providers that the Department of Human Services (Department) will pay for observation services provided in the acute care general hospital outpatient setting, effective with dates of service on and after July 1, 2016.

**SCOPE:**

This bulletin applies to MA Program enrolled physicians, dentists and podiatrists (practitioners) and acute care general hospitals (hospitals) providing services to MA beneficiaries under the MA Program’s Fee-For-Service (FFS) delivery system. MA enrolled practitioners and hospitals providing services to MA beneficiaries under the managed care delivery system should address any observation billing and payment related questions to the appropriate managed care organization (MCO).

**BACKGROUND:**

On December 28, 2015, Governor Wolf signed Act 92 (Act), which amended the Public Welfare Code, now known as the Human Services Code (Code). The Act added several new provisions to the Code, including a new subsection (1.1) under section 443.3(a) relating to other Medical Assistance Payments, which provides that the Department will pay for observation services provided by or furnished under the direction of a physician and furnished by a hospital. The provision authorizes the Department to establish rates for observation services effective for services provided on or after July 1, 2016, by publication of notice in the

**COMMENTS AND QUESTIONS REGARDING THIS BULLETIN SHOULD BE DIRECTED TO:**

The appropriate toll free number for your provider type

Visit the Office of Medical Assistance Programs Web site at  
<http://www.dhs.pa.gov/provider/healthcaremedicalassistance/index.htm>

*Pennsylvania Bulletin*. Further, the Act permits the Department to issue a MA Bulletin specifying the conditions for payment of observation services pending adoption of regulations.

## **DISCUSSION:**

On June 25, 2016, the Department issued a statement of policy in the *Pennsylvania Bulletin* that specifies the conditions for payment of observation services pending adoption of MA Program payment regulations. (See 46 Pa.B. 3262) Practitioners and hospitals are to refer to the statement of policy.

Effective with dates of service on and after July 1, 2016, the Department will pay for medically necessary observation services provided in the hospital outpatient setting, when prescribed or ordered by a practitioner.

Observation services are medically necessary hospital outpatient services, which include short term treatment, assessment and reassessment, which are furnished while a practitioner makes a decision as to whether to admit a MA beneficiary to the hospital inpatient setting for further treatment or to discharge the MA beneficiary from the hospital outpatient setting.

Observation services must be prescribed or ordered by a practitioner and provided for a minimum of eight hours. The time of observation services begins at the clock time of the practitioner's written prescription or order as documented in the MA beneficiary's medical record and coincides with the MA beneficiary's occupation of an observation bed. Observation service time ends when the MA beneficiary is admitted to the hospital's inpatient setting or is discharged from the hospital's outpatient setting upon the practitioner's order.

The Department will pay hospitals a one-time support component fee of \$976.54, per period of observation, using Healthcare Common Procedure Coding System (HCPCS) procedure code G0378, defined in the attachment, from the MA Program Fee Schedule. The support component fee includes payment for all ancillary and diagnostic services, except blood and blood products, provided during the period of observation. In order for the Department to track direct admissions of MA beneficiaries from physician's offices or hospital clinics to the hospital outpatient setting for observation services, the Department is requiring the hospital to report HCPCS procedure code G0379, defined in the attachment, on its claim.

The Department will pay practitioners for an observation visit from the MA Program Fee Schedule, using Common Procedural Terminology Evaluation and Management procedure codes 99218 through 99220, 99224 through 99226, and 99234 through 99236, defined in the attachment, and in accordance with MA Program payment requirements at 55 Pa.Code § 1150.56(b)(3) relating to nonhospital (outpatient) medical care. On any given day, a practitioner may bill for an initial visit in a skilled or intermediate nursing facility; a medical visit; an office visit; a consultation; a surgical procedure; an Early Periodic Screening, Diagnosis and Treatment visit; or a general medical examination. In addition, the Department will pay practitioners a separate professional component fee for ancillary and diagnostic services provided during the period of observation.

The Department will follow national billing instructions regarding the use of Condition Code 44, when an inpatient admission is determined not to be medically necessary and a MA

beneficiary's admission status changes from inpatient to outpatient subsequent to the Hospital Utilization Review Chairman's (HURC) determination that the inpatient admission does not meet the hospital's inpatient criteria. The hospital may submit an outpatient claim to receive payment for medically necessary observation services furnished to the beneficiary, provided all of the following conditions are met:

- The change in MA beneficiary admission status from inpatient to outpatient is made prior to the MA beneficiary's discharge or release, while the MA beneficiary is still a patient in the inpatient hospital setting;
- The hospital has not secured an Automated Utilization Review (AUR) or Place of Service Review (PSR) determination from or submitted an inpatient claim to the Department for the MA beneficiary's inpatient admission;
- An admitting/attending physician concurs with the utilization review committee's decision; and
- The admitting/attending physician documents their concurrence with the HURC's decision in the MA beneficiary's medical record.

The Department will not downgrade and pay for observation services when the Department determines through its AUR or PSR review processes that an inpatient hospital or Short Procedure Unit (SPU) admission is medically unnecessary. The Department will deny the inpatient hospital or SPU admission.

The Department will pay hospitals for physical therapy, occupational therapy and speech therapy visits in the hospital outpatient setting when they occur on the admission/start date for observation services.

### **PROCEDURE:**

Effective with dates of service on and after July 1, 2016, the Department will pay for medically necessary observation services provided in the hospital outpatient setting, when prescribed or ordered by a practitioner. In order for the Department to pay hospitals a support component fee for observation services, the hospital must provide observation services for a minimum of eight hours. The Department will pay practitioners and hospitals in accordance with the attached MA Program Fee Schedule for Hospitals and Practitioners for Observation Services.

Except in circumstances related to Condition Code 44 claiming for observation services, practitioners must prescribe or order observation services prior to the initiation of observation services in the hospital outpatient setting.

Hospitals and practitioners are to follow the directions in their applicable MA Program Provider Handbooks and Billing Guides.

Hospitals are required to accurately report units of observation service in accordance with MA Bulletin 99-97-06 titled "Accurate Billing for Units of Service Based on Periods of Time, issued and effective September 17, 1997, which may be viewed by accessing the following website link:

[http://www.dhs.pa.gov/cs/groups/webcontent/documents/bulletin\\_admin/d\\_005037.pdf](http://www.dhs.pa.gov/cs/groups/webcontent/documents/bulletin_admin/d_005037.pdf).

Hospitals and practitioners may view the Department's Payment Policy for Observation Services by accessing the following website link:  
<http://www.pabulletin.com/secure/data/vol46/46-26/1070.html>.

**ATTACHMENT:**

MA Program Fee Schedule for Hospitals and Practitioners for Observation Services

**MA Program Fee Schedule for Hospitals and Practitioners For Observation Services**

<b>Procedure Code</b>	<b>National Description</b>	<b>Provider Type</b>	<b>Provider Specialty</b>	<b>Place of Service</b>	<b>MA Fee</b>	<b>MA Units Of Service</b>	<b>Limits</b>
G0378	Hospital observation service	01	183	22	\$976.54	One Unit of service per hour; minimum of 8 hours	One \$976.54 payment per observation stay
G0379	Direct admission of patient for hospital observation care	01	183	22	\$0.00	One Unit of service per hour; minimum of 8 hours	One \$976.54 payment per observation stay
99217	Observation care discharge day management.	14	140	22	\$36.89	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				
99218	Initial observation care, per day, for the evaluation and management of a patient which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive examination; and medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified health professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to "observation status" are of low severity. Typically, 30 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$50.56	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				
99219	Initial observation care, per day, for the evaluation and management of a patient which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive examination; and medical decision making that is straightforward or of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified health professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to "observation status" are of moderate severity. Typically, 50 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$69.14	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				

**MA Program Fee Schedule for Hospitals and  
Practitioners For Observation Services**

<b>Procedure Code</b>	<b>National Description</b>	<b>Provider Type</b>	<b>Provider Specialty</b>	<b>Place of Service</b>	<b>MA Fee</b>	<b>MA Units Of Service</b>	<b>Limits</b>
99220	Initial observation care, per day, for the evaluation and management of a patient which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive examination; and medical decision making that is straightforward or of high complexity. Counseling and/or coordination of care with other physicians, other qualified health professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the problem(s) requiring admission to "observation status" are of high severity. Typically, 70 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$94.67	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				
99224	Subsequent observation care, per day, for the evaluation and management of a patient, which requires at least 2 of these 3 components: Problem focused interval history; Problem focused examination; medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the patient is stable, recovering, or improving. Typically, 15 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$20.44	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				

**MA Program Fee Schedule for Hospitals and  
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<b>Procedure Code</b>	<b>National Description</b>	<b>Provider Type</b>	<b>Provider Specialty</b>	<b>Place of Service</b>	<b>MA Fee</b>	<b>MA Units Of Service</b>	<b>Limits</b>
99225	Subsequent observation care, per day, for the evaluation and management of a patient, which requires at least 2 of these 3 components: Problem focused interval history; Problem focused examination; medical decision making that is straightforward or of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the patient is responding inadequately to therapy or has developed a minor complication. Typically, 25 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140		\$36.87	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				
99226	Subsequent observation care, per day, for the evaluation and management of a patient, which requires at least 2 of these 3 components: Problem focused interval history; Problem focused examination; medical decision making that is straightforward or of high complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the patient is unstable or has developed a significant complication or a significant new problem. Typically, 35 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$53.25	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				

**MA Program Fee Schedule for Hospitals and  
Practitioners For Observation Services**

<b>Procedure Code</b>	<b>National Description</b>	<b>Provider Type</b>	<b>Provider Specialty</b>	<b>Place of Service</b>	<b>MA Fee</b>	<b>MA Units Of Service</b>	<b>Limits</b>
99234	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date, which requires these 3 key components: A detailed or comprehensive history; A detailed or comprehensive examination; and medical decision making that is straightforward or of low complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually the presenting problem(s) requiring admission are of low severity. Typically 40 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$69.18	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				
99235	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date, which requires these 3 key components: A comprehensive history; A comprehensive examination; and medical decision making of moderate complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually the presenting problem(s) requiring admission are of moderate severity. Typically 50 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$86.29	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				

**MA Program Fee Schedule for Hospitals and  
Practitioners For Observation Services**

<b>Procedure Code</b>	<b>National Description</b>	<b>Provider Type</b>	<b>Provider Specialty</b>	<b>Place of Service</b>	<b>MA Fee</b>	<b>MA Units Of Service</b>	<b>Limits</b>
99236	Observation or inpatient hospital care, for the evaluation and management of a patient including admission and discharge on the same date, which requires these 3 key components: A comprehensive history; A comprehensive examination; and medical decision making of high complexity. Counseling and/or coordination of care with other physicians, other qualified health care professionals, or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually the presenting problem(s) requiring admission are of high severity. Typically 55 minutes are spent at the bedside and on the patient's hospital floor or unit.	14	140	22	\$111.46	One unit of service per day	One visit per day
		27	All Spec				
		31	All Spec				